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RUEHTV/AMEMBASSY TEL AVIV 1457
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TAGS: ECON EINT ETRD KIPR JO
SUBJECT: IPR PIRACY AND ECONOMIC SLOWDOWN THREATEN GROWTH AND
INVESTMENT IN INFORMATION TECHNOLOGY

REF: A. AMMAN 2929
     ¶B. AMMAN 655

¶1. (U) Summary:  Jordan's Information Technology (IT) sector grew
15% in 2007, but 2008 statistics, when released, are expected to
reflect a decline because of the worldwide economic slowdown.
Nevertheless, for a country which lacks natural resources, but has
an abundance of educated human capital, the IT sector is promising.
 16,000 Jordanians currently work in the domestic IT sector at 200
businesses.  With 7,000 engineers graduating annually, the
government is eager to employ these new graduates domestically and
has actively supported the IT sector politically and financially by
seeking foreign investment.  The sector's growth, however, is
threatened by extensive software piracy, leading local businesses to
call for improved enforcement of intellectual property rights (IPR)
laws.  End Summary.

Growth in IT Revenues, Employment, and Computer Use
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¶2. (U) Chief Executive Officer Abed Shamlawi of Int@j, Jordan's IT
business association, told EconOff that IT sales grew 15% between
2006 and 2007 to $882 million but he cautioned that sales growth was
slower in 2008, reflective of a slowing world economy, and may
remain weak in 2009.  He said 22% of sales were exported, primarily
to the Gulf with 10% to the U.S.  Shamlawi estimated that 16,000
Jordanians work in the domestic IT sector in 200 IT companies or
within the IT departments of large businesses.  Mais Al Daoud,
Int@j's National ICT Strategy Project Manager, explained that the
GOJ has a 2011 goal of 35,000 domestic IT workers to take advantage
of the 7,000 engineers graduating annually, many of whom will
otherwise move to the Gulf or will remain unemployed.

¶3. (SBU) Over the summer, the government and the private sector were
excited about the expected opening of Google offices in Amman and
the growth of Cisco's Jordanian operations as indicators of future
foreign investment.  GOJ also hoped Google's presence and corporate
culture would help to reshape Jordan's business environment and
spark innovation and public and private reform.  Google's arrival,
however, is now on-hold because of the worldwide economic slowdown,
but Cisco has increased the number of local positions from 15 to 55
and may grow further.  Ashraf Arafeh, Cisco's Jordan General
Manager, said that the Jordanian staff growth was partially because
of the low IT salaries in Jordan relative to Saudi Arabia.  He noted
engineers paid $30,000 - $50,000 in Jordan would be paid $150,000 in
Saudi Arabia (ref B).

¶4. (U) A December 2008 Department of Statistics (DOS) survey showed growth in Jordanian PC and internet use.  In 2008, 40% of Jordanian households reported having a computer compared to 33% in 2007.  22% of homes are connected to the internet compared to 16% in 2007. This growth is also reflected in Jordan's increased ranking from 57 in 2007 to 47 in the 2008 World Economic Forum's (WEF) Networked Readiness Index (NRI).  NRI measures a nation's ability to benefit from ICT developments for individuals, businesses, and governments. Jordan received its highest rankings on the amount of government information available on-line (rank 15); total tax rate (rank 19), and the importance of ICT to the government's vision of the future (rank 23).  These scores reflect the effort the government has made to grow the sector and encourage investment and employment.

IPR Violations Impact Local Software Development
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¶5. (SBU) Increased internet and computer use has also heightened the importance of addressing software piracy.  During an IPR conference held December 1-4 in Amman, Hazem Malhas, Chief Executive Officer for Optimiza, described the IPR challenges his company has faced. He said his company successfully fought two court cases in 2008 involving code stolen and copied by former employees.  He praised the courts' decisions but criticized Jordan's small business culture which accepts pirated software and code.  Shamlawi concurred with Malhas' assessment of Jordan's software piracy problem and said that Jordan lacks both sufficient IPR awareness and specialized IPR courts.  Both businessmen lamented that universities, including IT programs, contribute to a culture of IPR violations by encouraging the copying of books, software, and academic materials.

¶6. (SBU) Mamoun Talhouni, Director General of the National Library,

one of the lead agencies in promoting IPR, acknowledged the challenges with software piracy but pointed to his office's almost weekly raids as indicators of GOJ's growing commitment.  He said the next steps must occur in the courts and that judges must be encouraged to increase punishments and fines, which rarely exceed $1400, for retailers who sell pirated software and DVDs.  One of Jordan's few dedicated IPR judges, Nihad Al-Husban, defended the judicial system and argued that Jordan's judicial system for IPR, particularly trademarks, is stronger than its legislation.  To address the legal gaps, however, Al-Husban joined judges from across the region for a mid-December advanced judicial IPR program at the Dead Sea, sponsored by the U.S. Patent and Trademark Office (USPTO). Other USG support to strengthen Jordan's IPR regime includes enforcement initiatives such as a one-year USAID-funded judicial IPR training program, technical assistance for revised legislation, and raising awareness, highlighted in a recent speech by the Ambassador on the relationship between trade and a strong support for IPR (ref A).

Comment
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¶7. (SBU) Jordan's IT sector has received significant government support because the King and other senior leaders recognize that IT is well-suited to a country that is short on natural resources but strong in educated human capital.  This support has been political support from the top and financial help with tax cuts for consumers and foreign investors and e-government initiatives, which created work for local businesses.  The sector is, however, threatened not just by a slowing world economy but by pervasive software piracy. Although government reports applaud the decrease from 87% to 60% use of pirated software, thanks largely to the government's own improvement, most businesses and homes continue to use pirated software, citing cost.  One Microsoft official said that worldwide, countries only begin to pay attention to IPR when they have their own IP to protect and named Israel as an example that had recently improved because of its own industry.  International IT companies are reluctant to invest in countries where IT IPR is not sufficiently protected.  Jordan is on the cusp of taking IPR seriously - with several homegrown commercial software packages it wants to protect.  This software and the motivation of its Jordanian rights holders will help to push Jordan towards better enforcement - more raids, better-trained judges, and stiffer fines and punishments.  End Comment.

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